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Remarks of C. P. Huntington

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—REMARKS—

OF

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C. P. HUNTINGTON,

BEFORE THE

1821-1900

COMMITTEE

ON THE

JUDICIARY U. S. SENATE.

Saturday, November 17, 1877.

PUBLISHED FOR THE USE OF THE COMMITTEE.

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No. 17015

Remarks of C. P. Huntington.

MR. HUNTINGTON.—Mr. Chairman, I do not propose to say anything about the legal aspect of the case, but to try to show you that it is for the interest of the Government and our own interest, that we come to an amicable settlement of these matters, and much that I have to say relates to the great cost of the road when it was built, and as it was built, and showing what assets we have, and our ability to do what we propose. My associates and myself have been in business a great many years; I have, for almost forty-three years been in business for myself, and never had any paper go to protest in all that time. I had some out in 1837, and in all the great panics since. And I do not want to have anything go to protest connected with the Central Pacific Railroad, though it is not a personal matter of mine.

While these learned gentlemen have been discussing the power of Congress, under the Constitution, to change and alter these Pacific Railroad contracts, it has seemed to me the real question before us, is not so much a legal as a business one. Whether these legal gentlemen are able to convince you that Congress has no authority over the subject, or not, I think I can make it clear to you, that, as a business transaction, Congress cannot afford to take advantage of its own constructions of the statutes, because it would not be for its interest, nor for its credit, to do that which would be condemned among honorable men. Laying one side of the legal bearings of the matter, let me try and present it from the business standpoint.

I am one of the few persons who originally associated and organized for the purpose of building a material portion of the Pacific Railroad. Every one of the Boards of Directors which began and carried on the work of constructing the Central Pacific Railroad, came into the enterprise at my personal request. Before doing so, each one of them wanted to understand the contract with the Government, and to know if these terms could be depended on. We sought the opinion of the most eminent counsel thereon, and they all gave the same answer: that the contract could not be changed without our consent, so long as the Company was not in default. All our fortunes were embarked in the immense undertaking upon this ground, which we are still advised is unassailable.

Without this assurance, none of us, I am sure, would have been diverted from our ordinary gainful pursuits to the task of creating a highway for the use and benefit of the Government. Could we have foreseen that a grave committee would, at this time, when the work is done, and the country has reaped incalculable benefit from it, be called upon, to consider the power and propriety of changing the terms of that contract to our injury, I certainly should never have chosen for the declining years of my life, so riskful and arduous a service, and should have been spared this appearance before you.

My understanding was, that these words you have been discussing, were inserted in the fear that the companies might fail to complete the roads, and out of a spirit of abundant caution, this power of alteration was reserved in case it was necessary to put the work into other hands for completion; but it was well understood (and the debates will bear me out) that there was to be no forfeiture and no change to our detriment, so long as we were in good faith carrying out our part of the work.

As I said, the proper question for our consideration is, not so much whether Congress may, at its pleasure,

alter this contract and impose new terms and conditions, as whether it would be fair, reasonable, advantageous and honorable to attempt to do so, or to evince a desire so to do, without our consent so long as we are faithfully fulfilling our part of it. No impartial or unprejudiced referee would, I am confident, entertain any serious doubt about our right to go on, as we have done, complying with the law for the remainder of the thirty years and demanding that the Government should do the same. But inasmuch as doubts have arisen, apparently, in some minds, it may be well here, and now, to do away with all similar misunderstanding for the future. The Central Pacific Company cannot accept, nor will it give its assent to, any new covenant which leaves this question open. Any phraseology which accords to Congress the right, or privilege, to alter the terms and conditions of its agreement with us, so long as we comply with them, may as well be abandoned, if our consent is expected. If we, on our part, should fail in any particular, then, of course, there can be no such objection. Fair dealing, business usage, and self-respect require no less, and no more at our hands.

Lest some of you may have been misled as to the origin, nature, outlay and results of this transaction with the Government let me offer a few pertinent facts:

First.—As to the value of this franchise and contract when we first accepted it. It is commonly spoken of as a munificent and underserved bounty to a few individuals, in the face of the fact that the advances are treated as debts to be paid at maturity, and the lands are, after we have put a road through them, so lightly regarded as not to be worth the application upon a second mortgage claim not due for twenty years.

Well, this munificent bounty, the great charter which is now sometimes spoken of, as an extravagant bargain,

was not always so regarded. At the first meeting called to organize the Union Pacific Company at Chicago, subscriptions enough could not be found to comply with the act, and for months afterward the whole franchise, with all its much criticised privileges, was hawked about, and might have been had for the asking.

The Central Pacific, it is true, raised money enough to build and equip nearly forty miles of road, reaching up into the mountains, before Congress came to our relief, in 1864; but there never was a time during the years while the road was climbing the Sierra Nevadas (neither before nor after that amendment was passed,) when my associates would not gladly have sacrificed a part of their investment, if a purchaser could have been found. There were then no capitalists anxious to shoulder such a load, (while it was not even whispered that Congress might break its faith,) so uninviting did the inducements appear. Our utmost efforts in this direction were in vain. No parties could be found to put their money into it, but our few selves; and I discovered that the credit of my business firm was injured by our connection with it. My partner and myself were repeatedly admonished that we should sink our entire fortunes in the work, and get back no returns.

The assistance we received from San Francisco, Sacramento, and other counties, contributed for local reasons chiefly, gave us some help in getting through the hardest work we encountered in the Sierra Nevada Mountains. Being remote from the great money centres, the company was comparatively unknown, and without credit. My few associates and myself, called in gold loans for large amounts we had outstanding, well secured, drawing two per cent. per month, to meet the labor pay-rolls at the high prices then prevailing, in order to continue the work. The first million and a half of first mortgage bonds could only be negotiated upon condition that we should give our personal guaranty for the payment of the interest for a period of ten years—which we did!

No government bonds were received until May, 1865, ten months after the passage of the later act, although, the work was done more than half the distance up the Sierra Nevadas. Great difficulty was experienced in getting bonds from the Department, or money from any source, until we had reached the summit, and had gotten through the hardest and most difficult portion of all our work.

After we did receive the bonds, we found their market value had shrunk far below their estimated value when the contract was made, in 1862. As fast as the bonds came in they were converted into gold to pay for labor; one large lot of our first mortgage, I distinctly remember, being sold for less than their face value in currency and turned into coin at the rate of 222.

Senator CONKLING.—I do not understand that.

Mr. HUNTINGTON.—We sold our bonds and bought gold at 222. We paid $\$2, \frac{22}{100}$ in currency for a dollar of gold. We had to sell our bonds for less than par, although the Central Pacific never sold its securities very low.

The companies received no help, but rather hindrance, from the government in marketing these currency bonds. The then Secretary of the Treasury declined to receive them as security for bank circulation, and although they were full government bonds, they were added as an appendix to the Monthly Debt Statements, instead of being incorporated with the other issues—as if they were not part of the public, but a private railroad debt—thus casting a suspicion upon them and depressing them in the estimation of investors. My recollection is that some of them changed hands as low as 90 cents in currency.

Measured by their gold value, or by their purchasing power of labor or railroad supplies, there was even a greater loss. Our books show that the proceeds of the \$25,885,120 of government currency bonds, was \$19,119,552.95.

Senator THURMAN.—Gold?

MR. HUNTINGTON.—Yes ; with which to build and equip nearly 750 miles of railroad through an uninhabited and mountainous country, affording neither timber, fuel, water, ballast, food nor forage, for the most part, and many thousand miles distant from its base of material supplies, and yet there are many persons affect to believe that the road was built and equipped out of the proceeds of the Government assistance.

Many wild and absurd stories have been put in circulation as to the cost of these railroads. Allow me to furnish you with a few facts which will show you the real elements and conditions with which its builders contended, many of which did not exist when we entered on the work.

This is to show the great cost of the work then necessary, and the small amount it could be built for now in comparison, as affecting the relative value of these second mortgage securities : so that we see the necessity of making the most now out of our assets.

Take the item of rails, for instance ; iron rails commanded during the period of construction more than \$100 per ton. Steel rails can now be bought for \$40.

Freights, an important element with us, ranged from \$20 to \$33 per ton. The last lot I shipped to San Francisco I paid \$5 freight per ton. This was within the last week or two. Insurance, also a heavy item of expense, during the war was as high as 17 per cent., whereas now the regular rate is $2\frac{1}{2}$ per cent.

Locomotives, for which the government was a large customer, cost us as high as \$32,500.

I will say here that we paid six per cent. Government tax on all these things over and above their prices. The same kind can be bought for \$7,000 at this time ; and I paid as high as \$4,000 freight on engines taken over the Isthmus. The same machines can now be shipped overland by rail for less than it cost then to take them down and box them to be sent as they were then.

Powder, an article of which we consumed immense

quantities, was not only high-priced and hard to get, but it was also hard to ship, as special permission from the War Department was for a long time required.

So of rolling stock of all kinds, telegraphic implements, and many other articles, they were very much higher at the time we needed them than before or since.

Supplies for man and beast had to be hauled from the terminus of the line, as the country through which the work was done afforded next to nothing. Only one white man lived between the Big Bend of the Truckee and Bear river, a distance of about 600 miles.

The water, both for drinking and steam purposes was, for long distances, unfit for use. We had to analyze the water, east of the Sierras, before we dared use it for steam purposes. At the very best we had to haul it in trains for long distances; and even now, after completion, we are obliged to convey water in many places by iron pipes, in some instances twenty miles, for the use of trains and workmen.

Water along the line of the road does not make steam. It has soda and other minerals in it which prevents our using it.

The difficulties from fuel were hardly less troublesome. We were required to haul fuel eastward over 600 miles for the use of trains; and even at this day we are compelled to burn coal mined in Australia on portions of our road, at an expense of more than six times that of some eastern roads.

After we had gotten the track laid across the mountains, it became a problem whether we could keep it open for traffic in the winter season. We commenced putting the road under cover, and after serious encounters with the snow, but with very slight interruptions, we have now reached assurance by building nearly forty miles of snow sheds, all of very substantial character, and which include miles of snow-galleries built strong enough to sustain the passage of avalanches of snow, at a cost of over \$100,000 per mile for covering

alone! These structures, and the road under them, are maintained at a heavy expense, summer and winter, so as to guard against the slightest interruption from storm or fire. No railroad in the world, so far as I know, has been constructed at such disadvantage, or is maintained with similar outlay. Often we have had to put ten first-class engines behind one snow-plow.

Notwithstanding that the road was constructed and equipped with as much economy as was practicable, the officers of the company using the same diligence and frugality in this, as in their private business, the Central Pacific Railroad, built at the time, and under the circumstances it was, during a period of turbulence, of inflated prices, and of inordinate demand for money and supplies for railroad purposes, necessarily cost a large amount of money.

There is no difficulty in accounting for the aid received from the government, the proceeds of its mortgage bonds, and the sums derived from all other sources; and looking back upon it now, my wonder is how we ever managed to get through as well as we did, in view of the discouragements and opposition we encountered.

For one large addition to our expenditures the government is indirectly responsible; or, at all events, is the chief beneficiary, while the burden must apparently be borne wholly by the companies, who profited nothing by it. By directing the Pacific Railroad to be constructed from either end toward a point of junction, Congress instigated (I think purposely, and perhaps wisely for itself) a rivalry between the eastern and western parties, in order to hasten the completion of the through line without adding to the government assistance for this accelerated speed. The circumstance that there was no point for junction so suitable as the settled and fertile valley on the east bank of Salt Lake, which is adjacent to the only coal deposits along the route, led to an exhausting and unparalleled race in building on the part of both corporations to reach the coveted

spot. The cost of many items was doubled by this tremendous exertion. By this greater haste the government and the country got the use of the through line more than seven years before the allotted time, and thereby saved several millions a year in disbursements; while we, in common with the eastern company, lost proportionately by not adopting the more leisurely policy of finishing the road last July, which was the time allowed by the acts. The difference to this company between the prices paid for labor, gold, and materials, added to the difference between the prices realized for our own and the government securities and those since prevailing, would, I estimate, amount to many millions of dollars; all of which we might have saved by consuming ten years in the construction of the last six hundred miles, as the law allowed, instead of two years, as we did. The loss to the government by the delay would have been very much more than we suffered by this great haste, and it would have appeared in the treasury ledgers as disbursements, although their pages contain no equivalent credit to us.

An allusion has been made by some member of the committee to the vast sum of the nominal indebtedness of these companies if interest were compounded. Lest there be some confusion in your minds as to this question of interest, and compounding, let me state it correctly, so as to show whether the government will gain or lose (in dollars and cents) by this transaction with these companies; and how much? It is proper to enquire what was the consideration which the government was to receive in return for this annual outlay for interest, all of which, be it remembered, is to be repaid at the end of the thirty years. It was the enjoyment, use, and benefit of the road; that it has. If therefore, it is right to compound the interest against the companies, it is proper to compound the amounts on the other side also. What are they? By a report made to the Senate, February 24th, 1871, by the Pacific Railroad Committee, it is stated, and the items are referred to, that the cost

of government transportation in the territory west of the Missouri river, between 1848 and 1864, was more than 100 millions in gold, and at the date of the report was \$8,000,000 per annum, and constantly increasing. In a single year of hostilities it has been known to run up to about \$18,000,000. Taking it at \$8,000,000, however, I have the calculations of an Actuary of repute as to the amount which would thus have been expended in the course of each year, without the railroad, and the accumulations upon those sums if they had been invested, and it amounts for the thirty years' term, to \$652,213,-747.20.

Now, on the other side, with the railroads, we have the annual interest payments on behalf of \$55,092,192 bonds issued to the Union Central and Western Pacific roads, comprising the main line, and it amounts, if compounded for thirty years, to \$324,581,329.39, or a difference of \$327,632,417.81 in favor of the government. The roads certainly could not have been built without this aid and these bonds.

Senator THURMAN. — You have taken the average cost of transportation before the railroad was built.

Mr. HUNTINGTON. — But the point was that no one would have built the road without this aid ; and as this expense was growing, it is fair to presume that it would have kept on increasing—at least, that it would not have lessened, if the roads had not been built.

Senator THURMAN. — But you have not deducted from that what the government has paid to the companies.

Mr. HUNTINGTON. — Certainly ; here it is. The bonds that the government has issued amount to \$55,092,192. The actuary has taken that sum and counted the interest on it, compounding it every six months for thirty years ; and to the interest he has added the principal, and the two together make \$324,581,329.39.

Senator THURMAN. — You do not get my idea. You want to know what the government has saved in trans-

portation. What it saved in transportation. I will assume, for your purposes, though I do not exactly admit it to be right, to be the difference between what it pays the railroad companies for transportation, and what it would have paid if there had been no railroad, and that instead of being \$8,000,000 a year, would have been only about \$6,000,000, would it not? The government pays your companies \$2,000,000 a year?

Mr. HUNTINGTON.—About that.

Senator THURMAN.—So your actuary has taken \$8,000,000, instead of \$6,000,000?

Mr. HUNTINGTON.—But that was what the Government was paying without the roads. Assuming that the road would not have been built without this aid, therefore by giving this aid, it seems to me, they have saved this difference.

Senator THURMAN.—What the government has saved is the difference between what it pays and what it would have to pay if the road was not there. Then, assuming it would have been \$8,000,000, it is the difference between \$8,000,000, and what it now pays, \$2,000,000, that is \$6,000,000. The calculation should have been made on \$6,000,000, and not \$8,000,000.

Mr. HUNTINGTON.—You may be right; but I do not so understand it.

Senator McDONALD.—I ask whether that \$8,000,000, did not embrace a very large amount of transportation that is not carried by the road now, and for which the government has to pay, notwithstanding the road?

Mr. HUNTINGTON.—We take care of that country; I will show as it were when we built the Central Pacific Rail Road; as we built it along I used to tell them at the war department they need not bother about the Indians on the line of the Central Pacific; we would take care of the Indians and they should not be harmed. Just as fast as we have come to the Indians, we

have made their acquaintance, as it were. The Piutes were very bad ; they had about three thousand warriors and not long before we got to the big bend of the Truckee, they had a fight and killed 175 men.

Senator THURMAN.—That estimate made by the Railroad Committee, includes all the cost of transportation west of the Missouri river.

Senator McDONALD.—A great part of that has yet to be paid by the government in transportation provided for in other ways.

Mr. HUNTINGTON.—The country away up north was not settled at all. There are now new settlements toward the Canada border ; but our road now substantially takes care of that portion that this refers to. There was not anybody away up above then, as I understand ; the Indians had that to themselves ; but our traffic and immigrants going across from the Missouri River to the Sacramento, and *vice versa* were substantially on this line ; and there is where the expense was, to take care of that immigration. I think I am correct in that ; and as we have had this figure, and it seems to me to be right ; the Government saves \$327,632,417 $\frac{81}{100}$. I may be in error, but the figures are no doubt correct.

This is the relative saving by the Government from its engagements in this undertaking, if it should never get back a dollar of this miscalled subsidy.

This is looking at the matter solely from the standpoint of profits of a money broker. There are other aspects in which it can be viewed and shown, the Government has been a great gainer. Prior to the construction of the road, the Government was the principal freighter, and was its own insurer of both freight and teams in all that country west of the Missouri. My impression is, that the frequent losses reported to the department of both freight, teams and outfit, in many cases after having been hauled hundreds of miles, at the rate of $1\frac{3}{10}$ cents per hundred pounds, or 26 cents

per ton, per mile, have been charged to the account of casualties of war, and are not included in these transportation accounts.

Contrast that state of things, and the difference in the disbursements now, when the railroads carry supplies for about a cent per ton, per mile, (many of them less), and guarantee their delivery. As an instance of the multiplied economy and efficiency, the Government derives from our faithful performance of this undertaking. I may mention that in the year 1867, a single contract was made for the conveyance of the fragmentary mails between the advancing termini of the railroads, which it was supposed had years to run, at the rate of \$1,750,000 per annum; whereas, now I have no doubt, forty times the weight of mails, is carried over the same distance for about \$140,000 per annum.

The CHAIRMAN.—Do you mean guarantee their delivery beyond the end of your line?

Mr. HUNTINGTON.—No; only to our terminus; but the losses were very great, as I have understood, in goods crossing the plains that were taken by Indians, and many cases where they got them nearly to Salt Lake the mules were run away and stolen, and the government had to stand the loss. When you reflect there were hundreds and thousands of emigrants crossing this territory, unpeopled except by Indians, hostile as a rule, occupying with their teams a whole season in the journey, and that now the greater stream of emigrants is whirled over in five days, and in comparative comfort, thereby saving a whole season's industry, it will be seen that in this item alone the gain to the people far outweighs the interest outlay.

I need not allude to the varied benefits to the commerce of the country by our increased facilities for communication with Japan, China, Australia and the other countries bordering on the Pacific, nor the influences of the railroad on the mining industries of our Western States and Territories, many of which could not have been con-

ducted without its presence. All these things are as plain to you as to me.

But I confess I was astonished when one of your number asked the question of one of the counsel, resident in this city, if the companies conceded that the 5 per cent. of net earnings accruing to the government ought to be paid before anything was divided among the stockholders? I was surprised also to hear him reply affirmatively, as I am sure he would not have done so if he had fully understood the matter; for why should the government get its 5 per cent. when it was getting all its expected collateral advantages before the parties who furnished the road, and who put not only their money, but also the best years of their lives into the work, get any returns for their time and money, and who derive no other advantages except the returns upon their investment? Such a question would not have been asked if its author had reflected that the reward of the companies for their venture, toil and time was one of money only. The government was not seeking to make money, in a direct way, for its own coffers, but in an indirect way by advancing the facilities of the people, and promoting the public welfare. The returns to the government were various and they were immeasurable; the rewards to the company were in money solely and they were limited to a reasonable amount. The government is getting its benefits in so many ways every day; would it be fair to ask the companies to give up their single compensation in order to enable it to get back its advances of credit also?

If this were a mere matter of money lending and taking security for its return, it might be so misunderstood. We must constantly bear in mind the objects and purposes of its inception. On the part of the Government, it was chiefly, if not wholly, to procure the road and the manifold benefits to follow from its creation and use.

These considerations it has received. What were the

inducements on the other side? Reasonable dividends upon their investment.

It was our expectation, as it was the expectation of the framers of the act, that the government transportation would be of such volume and would be carried at prices remunerative enough to meet the interest on these advanced bonds. Even after the act of 1864, gave us half the freight money with which to meet the interest on the equal amount of bonds with a precedent lien, we supposed it might somewhere near approach the interest payments of the Treasury. In this result we are as much disappointed as yourselves; but it is in no way our fault. We should have been glad to have done all the Government freighting and apply half the bills to these bond claims; and I am quite sure we have not received the reasonable compensation for the transportation services contemplated by the act, or the amounts to our credit would have been much larger.

What, then, is the situation of the Government as a creditor of these companies?

So far as the Central Pacific is concerned it has a second mortgage covering 860 miles of the 1,300 miles of track which are in operation. As is the case in many other kinds of property, the value of the road, through circumstances in no way under their control, but which may have been subject to the control of Congress, is shrinking, while the first mortgage remains, let us say, stationary; and at the same time, the second mortgage is increasing in amount.

By the time both mature and become payable, it is not at all likely the property will be worth their aggregate sum, and if the shrinking and settling of prices should continue further, it may happen that it will not suffice to pay more than the first mortgages. What rational prospect has the Government of securing this payment out of the property and its revenues, other than by harmonious co-operation with the companies? Is it not the part of prudence, as well as of justice, to aid them to make

the most out of their assets, and to keep up their roads to the highest standard of efficiency from the revenues ? With their co-operation the Government will be able to get its money all back, besides the great advantages which the railroad surely confers.

The companies desire to meet this indebtedness as fast as they can safely undertake it, consistently with their other imperative engagements. They want particularly to know beforehand what they have to do, so that they may prepare to do it. A fixed sum to be paid semi-annually into a sinking fund, which will cancel the debt by 1,905, with the lands turned in, is the extent to which they could safely pledge themselves or the property.

If, however, Congress will not consent to take back the lands (which I am quite sure it would be for its interest to do, both as a creditor of the companies, and as the holder of the lands intermixed with them), then we could not prudently undertake to pay all the claim before the year 1910.

These lands are among the assets of the company, and have, in the hands of the Government, a large productive value, and, therefore, debt-paying power.

They had little value when granted to us, and what value they now possess has been conferred upon them by the road.

By the terms of the grant they are not a solid body, but in alternate square-mile sections.

They consist for the most part of grazing lands ; and the present arrangement is tantamount to a divided ownership. Neither the rectangular system of surveys, nor the alternating sections are favorable to the sale or occupation of settlers, or to the grazing industry. The land would be better for all parties if surveyed into tracts, with reference to the topography, water courses and springs, and thereby promote ownership of the soil

in conjunction with its occupancy, which is now almost impossible.

To survey them into sections would cost an immense sum. The present relations of the companies and the government in regard to these lands will have to be abandoned sooner or later. The present is a fitting opportunity, and the sooner the whole belt passes into the control of the government the better it will be for settlers, for the treasury, and all concerned.

There are some other reasons why the government should not now impose any new or harsh conditions upon the Pacific railroads. It is evident that, besides the competition they now maintain with the water routes, they will soon have to compete with a Southern Pacific railroad, and perhaps a Northern Pacific also.

After these through lines are completed on either side of us, the profit on through traffic will be less than now, and the net earnings will be derived from the local traffic on the great branches, on which the government has no lien.

Bear in mind, therefore, that in proposing the new amendment, we are placing the government in a better position than it is now in; and better than it can by any possibility place itself by coercive legislation.

In this proposition we are binding 1,300 miles of track and its earnings to pay a second mortgage upon only 860 miles, not due for more than twenty years.

This the companies, from the strongest of human motives, will endeavor to live up to during the poorest as well as the most prosperous seasons.

This is a much safer plan than the one suggested in your bill compelling us to come over here to Washington, from time to time, to persuade the Secretary of the Treasury to lighten the law upon the companies to enable them to pay their honest debts to creditors whose claims have priority to those held by the Government.

The practical working of any such plan on the first extraordinary occasion for outlay from storm, accident, or interruption of its income would result in disabling the companies from meeting their current expenses and temporary debt, and in a government supervision of the working and management of the road itself—a result which I am unwilling to believe your committee desires to reach.

We have put in a proposition—I speak for the Central Pacific—the land at a dollar and a quarter an acre; knowing it as I do, I verily believe it is cheap at that price and great fortunes can be made by stock men in taking that land and having it surveyed so that the water is convenient to each tract. In the rectangular system, half the sections would be worth nothing, probably not one in four would have any water on it at all; but, by surveying it in suitable tracts for grazing, it is all valuable. We put it in at one dollar and a quarter because we believe it is cheap, and if this debt was due to any other interest, any individual interest, in this country, they would take it and be very glad to get it.

Senator THURMAN.—It is all subject to preemption, is it not?

Mr. HUNTINGTON.—Not yet.

Senator THURMAN.—It soon will be?

Mr. HUNTINGTON.—It soon will be.

The CHAIRMAN.—Why is it not worth just as much to your company as to the United States?

Mr. HUNTINGTON.—We cannot sell it. We used to go and see men on it; we would tell them that we wanted them to buy the land. They would say no, they did not want to buy it. "Then pay us rent." They would say, "are we on the railroad land? We thought we were on the government land. Now, tell us where the line is, and we will drive the stock off on to the government land?" They used to tell us that years ago, but lately they do not, because we do not say anything

to them about it. We are selling no lands there, and the government is selling none. Occasionally, men will come and want a quarter section of land. We will examine it, and find it is a spring affording perhaps, all the water that there is on ten thousand acres. Of course, we will not sell it to them, because in many cases, it would give them the control of five or ten thousand acres, just as much as though they had the fee.

Senator CHRISTIANCY.—Are all these lands surveyed yet?

Mr. HUNTINGTON.—No; much of that country is in small valleys, a thousand, two, three, four, five thousand acres, with a spring coming from the foot of the mountains running a mile or two, and then sinking.

Senator CONKLING.—What, in acres, in round numbers, is the quantity of land you speak of?

Mr. HUNTINGTON.—Six million acres we offer. We offer all the lands that we have in Nevada and Utah.

Senator CONKLING.—About six million acres. To what extent does the Government own alternate sections there?

Mr. HUNTINGTON.—Exactly the same amount, along the line of the road.

Senator CONKLING.—When you speak of rectangular surveys, you mean surveys in sections and alternate sections?

Mr. HUNTINGTON.—Yes, our regular system for public lands.

Senator CONKLING.—What water do you speak of, streams or springs?

Mr. HUNTINGTON.—The water in the Great Basin, all

sinks somewhere. There is only one river that rises in the Great Basin, and runs out.

Senator CONKLING.—Springs that appear and disappear ?

Mr. HUNTINGTON.—Yes, sir ; they all sink in the basin, some at longer distances than others ; some considerable rivers ; but almost every valley has a little water some where, running a mile or two, three, four or five or six, and then sinking.

Senator CONKLING.—You mean us to understand that this land can be cut up into tracts appropriate for individual ownership in grazing, so that all those tracts will be supplied with water ?

Mr. HUNTINGTON.—Yes, sir ; and it is what the grazing men want. I received a letter the other day from Nevada, saying that if that land could be properly cut up, it would be taken up very soon by stock men.

The CHAIRMAN.—Could not that be accomplished without your conveying the land, by changing the law ? We shall have to change the law after that, in order to make the surveys conform to the condition of the country, instead of rectangular ?

Mr. HUNTINGTON.—I do not know ; it would be very difficult, I think. The land ought really to belong to one owner. I do believe that if we owned all the land, we could realize a dollar and a quarter an acre.

Senator CONKLING.—Suppose you could have your 6,000,000 in a body and the Government could have its 6,000,000 acres in a body, what effect would that have ?

Mr. HUNTINGTON.—That would do better, but we should still have the same difficulty at both edges of our strip ; besides that there is one difficulty always staring us in the face in all that outlying country. They tax the lands and they make the railroad property pay everything. One year we paid \$39,000 gold, tax in one

county. I guess it was seven-eighths of the tax paid in the county. They will tax these lands right away from us. If the Government had them they would not. If we could hold them for a reasonable time and not pay taxes on them we could sell them. They get up a little ring and form a county with perhaps no property in it at all, and what do they find? They find perhaps 30 or 40 miles of railroad track and the lands. They will run a county from the taxes on that. A person living here has not much idea of how they do those things in that outlying country.

Senator McDONALD.—The railroad companies do not take title until the expenses of subdividing the sections are paid.

Mr. HUNTINGTON.—That is very true, but they are getting bills in here every day to compel us to take title and in other ways to get at the lands before the railroad company could put them to any good use.

Senator McDONALD.—The railroad company has not taken title to much of this land.

Mr. HUNTINGTON.—Not much.

Senator McDONALD.—Is not this proposition of yours in reference to reconveying the lands to the United States so connected with your other proposition that it all has to go together?

Mr. HUNTINGTON.—No. I have said that if we could get a little longer time —

Senator McDONALD.—The annual payments would have to be extended over a longer time if the land is not taken?

Mr. HUNTINGTON.—I believe you will find it to the interest of the Government to take the lands. They are part of the assets; they are good. If they are not worth a dollar and a quarter to the acre, say what they are worth? They are good if they are not to be taxed to death; but we had better let you have them at a good

deal less than they are worth than undertake to own them as things are to-day.

Senator HOWE.—Suppose the Government should not want the lands, can you suggest any alteration of the existing law for the disposition of the reserved sections which would aid you in the sale of the lands?

Mr. HUNTINGTON.—I should say there could be some way devised. I have it not in my mind now, but I think some way could be devised, which is better than it is now, because, now, it is the worst possible thing that could be. Any change would be for the better.

Senator CHRISTIANCY.—The Government might give you all their alternate sections on one side of the road, and you give the Government the alternate sections on the other side.

Mr. HUNTINGTON.—But the assets that are good to the Government now are going to slip out of our hands. I believe this debt will all be paid.

Senator THURMAN.—In answer to a question of Senator Conkling—I believe you said that you thought I small portion, an inconsiderable portion, of these lands have been surveyed?

Mr. HUNTINGTON.—I do not know how many. Some of them have been.

Senator THURMAN.—I think nearly all of them have been surveyed.

Mr. HUNTINGTON.—I had thought not.

Senator THURMAN.—Much the larger portion.

Mr. HUNTINGTON.—You may be correct, but I think not.

Senator McDONALD.—They have been surveyed, but the law now requires the company to pay the expenses

of the subdividing surveys before they can get the title, and that is not done.

Senator THURMAN.—That was the law in regard to the Northern Pacific.

Mr. HUNTINGTON.—It is on the Central. We have to pay the survey fees before we get title.

Senator McDONALD.—It has been decided that until the title has been issued to the company, the property is not taxable.

Mr. HUNTINGTON.—Before we can get our patent we have to pay for the survey. They have bills here now to make us pay the taxes, anyhow.

Senator CONKLING.—I have heard it affirmed and denied that under the bill which was proposed last winter and is here now, the companies could not only live and thrive, but pay four per cent. of dividends to stockholders, meaning four per cent. on the market value of the stock. I wish you would say whatever you think is true on that point, giving your reasons for it.

Mr. HUNTINGTON.—Well, that has been correct for the last few years ; if you include all the roads operated by the company, but I do not believe it will be when the Southern Pacific is through, which will be soon. I think in the next five years the Southern Pacific road will be through to the Rio Grande. We occasionally have a very dry year (we had this year) called “ off years ” in California. These branch roads of ours, which the Government did not aid, running up through those great fat valleys in California, will almost always make net money. This year, to be sure, the San Joaquin branch has given us nothing, scarcely ; but we generally make some money there. They are very rich valleys and are very large. We have one branch 150 miles from Sacramento to Redding, and one 146 miles up the San Joaquin valley, and we have several shorter branches that will always pay.

Senator CONKLING.—To be sure then that I understood you, so far your answer is that speaking of the 1,300 miles of your road, 800 of which are aided road, and taking the last three or four years prior to this, under the proposed bill they could live and pay a dividend of four per cent. on the market value of the stock?

Mr. HUNTINGTON.—I should think we could. I say we have our "off years," our particular years when we do not make anything, but they would probably average that.

Senator CONKLING.—You put in the whole 1,300 miles to come to that statement?

Mr. HUNTINGTON.—Yes, sir.

Senator CONKLING.—You exclude the present year. Why do you do that?

Mr. HUNTINGTON.—This year we have had no rain over there. We sometimes get eighty or ninety inches of rain in places. This year we did not get over four or five inches in places.

Senator CONKLING.—What are the hardships or objections in this bill proposed?

Mr. HUNTINGTON.—It brings us to Washington for one thing. It would bring us here every year

Senator CONKLING.—For what?

Mr. HUNTINGTON.—We should get three or four telegrams that somebody has introduced a bill to confiscate the whole property. This bill settles nothing.

What the Central Pacific R. R. Co. wants is a final settlement of all these matters with the Government, and an act that calls for a fixed sum, to be paid semi-annually, in lieu of all other payments, and an act that cannot be changed so long as the company fulfills its requirements.

Senator CONKLING.—What you mean is, that the proposed bill leaves it open and unsettled?

Mr. HUNTINGTON.—Yes—brings us here to see the Secretary of the Treasury and others.

Senator CONKLING.—What other difficulties are there in the proposed bill?

Mr. HUNTINGTON.—I read it over and it is objectionable. One is, that if we accept this, next year you may call for the whole earnings. That is one objection. We could not accept anything that was not a finality, if we accepted it. If it was to pay but a thousand dollars a year, for my own part I should contest it just as closely in the Courts as though it was to pay a very much larger sum; because, if we accept such a bill we are all at sea.

The CHAIRMAN.—That is to say, you have no confidence in the upright judgment of Congress, in dealing between you and the people of the United States?

Mr. HUNTINGTON.—We have got a contract, as I understand it. I labored with all my associates night after night to get them in, and they all referred it to the most eminent counsel on our side, and this side, to see what the law was, and they all said it could not be changed; and, nevertheless, we find every session somebody in Congress making an effort to change it without the sanction of both the contracting parties.

Senator CONKLING.—I have heard, gentlemen, for example, during these hearings, Mr. Atkinson and others, allude in very general terms to the inadmissible features of the proposed bill, its hardships and evil tendencies. If you had the bill before you, as you have not, or if you had it freshly in your memory, as you do not seem to have, I wanted to ask you to point out to the understanding of a man whose understanding is as cloudy as mine on such subjects, what those matters are to which

allusion is so frequently made? You have indicated in general terms one or two of them. On the other side, I hear, for example, the acting Chairman of the subcommittee say that he has looked into this bill, and that he is satisfied that in a business aspect there is no hardship about it; and I would like in some way to be directed to the points in issue, and the respects in which those two affirmations differ, and then to the truth of that difference.

Mr. HUNTINGTON.—I think I could take the bill itself, and sit down and read it carefully line by line, and I could show that there is a number of them.

Senator HOWE.—Could you not make this a final settlement, as well as the one proposed by the companies?

Mr. HUNTINGTON.—We could not live under this bill.

Senator HOWE.—Suppose you could live, if it was as advantageous as yours, and make it a final settlement?

Mr. HUNTINGTON.—Certainly; but I should want it in the bill, that whatever we agree to, so long as we fulfill that, we cannot be touched.

Senator DAVIS.—You do not want any loop-holes to creep out of?

Mr. HUNTINGTON.—No, we want to pay the money, and if we do not, then, of course, it is proper and right that the government should make the companies do it.

We want a certainty; to know just how much we have to pay, and if it is such an amount as we think we can pay, we will accept the bill.

Senator McDONALD.—The principal objection is that by this bill we are assuming the power to make these changes, irrespective of the will or consent of the company, as I understand it.

Mr. HUNTINGTON.—That is one objection, and a very

grave one; but we want to pay; we offer to pay the debt and its interest; we offer to commence paying twenty years, and more than twenty years, before it is due, and to pay it all within ten years after it is due.

Senator McDONALD.—Your proposition, leaving out the land question, is substantially this, except as to the different amounts that are provided, and the different mode. You propose to make direct payment into the treasury instead of making a sinking fund. Bancroft Library

Mr. HUNTINGTON.—We propose to make a sinking fund in the Treasury to pay the money to the government.

Senator McDONALD.—And the difference is in the amount which your proposition would set apart to be paid annually, and the amount this bill would create as a sinking fund.

Mr. HUNTINGTON.—We pay six per cent., (and I believe there is no dispute on that point), that when we pay the government six per cent. we should get six per cent. on the sums we pay into the fund before the debt is due, and of course we have the interest computed every six months.

The CHAIRMAN.—What do you pay six per cent. on?

Mr. HUNTINGTON.—The government bonds. That is, it is charged to us.

The CHAIRMAN.—You mean the six per cent. the government has paid?

Mr. HUNTINGTON.—But that is running against us.

The CHAIRMAN.—Do you mean to say the government is to charge you six per cent. interest for the payments it has made for interest on the bonds?

Mr. HUNTINGTON.—It charges the six per cent. as it

matures. There is no interest due for thirty years ; but whatever the simple interest is at the end of thirty years we shall owe to the government.

THE CHAIRMAN.—That is, what the government is paying semi-annually, at the end of thirty years will be due, but without interest, as I understand you.

MR. HUNTINGTON.—Certainly.

THE CHAIRMAN.—What is the six per cent. you are paying ?

MR. HUNTINGTON.—It is what we propose to pay and it runs against us. I say we pay it. It is running against the company. If we pay any before it is due, so much as we pay we certainly ought to have interest on. I would leave that to ten bankers in New York, and you can pick them all, and if they do not say we are entitled to compound interest, as it were—

SENATOR CONKLING.—That is to the discount ?

MR. HUNTINGTON.—Yes, sir ; for all we pay before it is due, you may have your action if there is one out of the ten does not say we are entitled to it.

THE CHAIRMAN.—I had the impression that Congress stood in a different light between you and the people of the United States, if it has the power to act at all, as the Supreme Court has, to act on the question what the law now means. I beg you to understand I have no case between you and other men.

MR. HUNTINGTON.—Excuse me for using that language. I did not mean it in any offensive way.

THE CHAIRMAN.—I know that, but I thought you were stating a very great error. Now, I will beg to ask you a question to get at exactly what you mean. If I understand you, you think that the companies, on whatever

you do pay, ought to be allowed six per cent. interest as a sinking fund with annual or semi-annual rests, because you say the sum that is being charged to you on the other hand is the same thing. But I do not understand you to say that the United States has a right to charge you with any interest on the money it pays, but only with the sum of money (which happens to be six per cent on the bonds) that it has paid.

Mr. HUNTINGTON.—No ; the law, as we understand it, does not require it ; we were told by some of the best legal minds in the country there was nothing due until thirty years, except half the services and five per cent. of the net earnings after completion, and on that my belief is based.

The CHAIRMAN.—I am not asking you to argue the question, but I merely want to get at what you mean—what you mean by the companies being obliged to pay six per cent. is that the company is obliged, when the proper time comes, to reimburse the United States for these coupons that are being paid, from time to time, without interest on the coupon.

Mr. HUNTINGTON.—Yes—the interest you pay on the bonds.

The CHAIRMAN.—But the very sum that the United States paid. That is what I understand you to mean.

Mr. HUNTINGTON.—Yes.

The CHAIRMAN.—Now, I want to ask you so that I may understand you, whether, supposing Congress has the power by the consent of your companies, under the law, to rectify these things according to its judgment of what is just between the treasury and you—presuming that to be so. and I do not say that it is not—then is not the substantial objection that you have to this proposed method of accumulating money, that it asks you to do too much, beyond your ability fairly, in order to

give something to your stockholders—beyond your ability to accomplish?

Mr. HUNTINGTON.—That is the main reason. Anything that we accept we want to abide by. We want to pay some money and have it settled, as much on our side, I believe, as the government wants it done.

Senator THURMAN.—I would call your attention, Mr. Huntington, to this: While it certainly is very desirable and perhaps required by justice that this sinking fund should keep down the interest that you have to pay on an amount equal to that which is put in the sinking fund, yet inasmuch as the interest runs against the company without any rest at all, if the accumulation of the sinking fund is such that it will meet that interest which the company ultimately has to pay, that is all that equity would require, is it not?

Mr. HUNTINGTON.—No; the equities would allow us compound interest on all sums paid in advance of maturity. The stockholders expected a very much larger return, because the law contemplates ten per cent.; they have not averaged three.

Senator THURMAN.—But your proposition amounts to this, really—that the government should borrow money at six per cent., payable semi-annually for twenty-three years, when the government can borrow all the money it wants at about four per cent.

The government can sell its four per cent. bonds at par, or substantially so, as it has been selling—how long it will continue to do so, I do not know—it sells its $4\frac{1}{2}$ per cent. bonds at more than par; and under such circumstances, you would hardly expect the government to borrow money for 23 years at the rate of six per cent., payable semi-annually.

Mr. HUNTINGTON.—My impression is, that they can use all the money they will get from this source, in taking in their five twenties that do bear six per cent. gold interest.

Senator THURMAN.—If they would agree to pay that interest, and should call in the six per cent bonds, they would gain nothing.

Mr. HUNTINGTON.—In every six months, if they would take the money they pay off the coupons, and on re-investing that, there is your fund without any trouble.

Senator THURMAN.—They would make nothing. It would be simply an extension of the five-twenty loan, which they have the right to call in now, for 23 years.

Mr. HUNTINGTON.—My answer is, that it was not expected that the government was going to speculate and make money from these companies. The government gets a vast return for its outlay of interest by the existence of the road, and it will get back what it has paid out beside. It has not paid the principal sums yet, but pays interest on them, because it had to borrow at the time the money was wanted, and that is a conclusive reason why it is not entitled to interest upon interest. If it gets back all it has paid out as interest, that is all it can rightly expect from the companies.



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